

Agenda

Meeting: Board

Date: Wednesday 24 October 2018

Time: 12.00pm

**Place: Committee Room 4 - City Hall,
The Queen's Walk, London, SE1
2AA**

Members

Sadiq Khan (Chair)

Heidi Alexander (Deputy Chair)

Kay Carberry CBE

Prof Greg Clark CBE

Bronwen Handyside

Ron Kalifa OBE

Dr Alice Maynard CBE

Anne McMeel

Dr Mee Ling Ng OBE

Dr Nelson Ogunshakin OBE

Val Shawcross CBE

Dr Nina Skorupska CBE

Dr Lynn Sloman

Ben Story

This meeting has been called with less than five clear working days' public notice in accordance with Standing Order 33. The Chair has agreed, in accordance with Section 100B(4)(b) of the Local Government Act 1972, that this meeting be called as a matter of urgency in order to deal with the business listed at items 3 and 7 of the agenda. The reason for urgency is that decisions are required in relation to the funding of the Crossrail project.

The Committee Chair has also agreed that the papers for item 3 and 7 of the agenda will be circulated after the publication of this notice as discussions in relation to the matter are ongoing.

Copies of the papers and any attachments are available on [tfl.gov.uk How We Are Governed](http://tfl.gov.uk/How-We-Are-Governed).

This meeting will be open to the public, except for where exempt information is being discussed as noted on the agenda. There is access for disabled people and induction loops are available. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available on www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf.

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Shamus Kenny, Head of Secretariat; telephone: 020 7983 4913; email: ShamusKenny@tfl.gov.uk email: ShamusKenny@tfl.gov.uk.

For media enquiries please contact the TfL Press Office; telephone: 0845 604 4141; email: PressOffice@tfl.gov.uk

Howard Carter, General Counsel
Monday 22 October 2018

**Agenda
Board
Wednesday 24 October 2018**

1 Apologies for Absence and Chair's Announcements

2 Declarations of Interests

General Counsel

Members are reminded that any interests in a matter under discussion must be declared at the start of the meeting, or at the commencement of the item of business.

Members must not take part in any discussion or decision on such a matter and, depending on the nature of the interest, may be asked to leave the room during the discussion.

3 Crossrail Update

Chief Finance Officer

The Board is asked to note the paper and to approve those matters set out in the exempt supplemental paper on Part 2 of the agenda.

4 Any Other Business the Chair Considers Urgent

The Chair will state the reason for urgency of any item taken.

5 Date of Next Meeting

Wednesday 21 November 2018, at 10.00am

6 Exclusion of Press and Public

The Board is recommended to agree to exclude the press and public from the meeting, in accordance with paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business.

Agenda Part 2

Papers containing supplemental confidential or exempt information not included in the related item on Part 1 of the agenda.

7 Crossrail Update

Exempt supplementary information relating to the item on Part 1 on the agenda.

Board



Date: 24 October 2018

Item: Crossrail Update

This paper will be considered in public

1 Summary

- 1.1 The Elizabeth line, jointly sponsored by the Department for Transport (DfT) and Transport for London (TfL), with support from London's business community, will connect stations such as Paddington to Canary Wharf in only 17 minutes, transforming how Londoners and visitors move across the capital.
- 1.2 The new railway will bring an extra 1.5 million people to within 45 minutes of central London and more than 200 million passengers are expected to use it every year.
- 1.3 Our focus remains on supporting Crossrail Limited (CRL) as they finalise the final infrastructure and testing in order to get the Elizabeth line safely into passenger service at the earliest opportunity.
- 1.4 CRL exceeded its funding envelope earlier this year. In July 2018, DfT confirmed £590m of additional funding was being made available for the project, with £300m to CRL and £290m for Network Rail works. The £300m for CRL was jointly funded between the Government and TfL, with each contributing £150m between late September and October 2018, as approved by the Finance Committee under delegated authority on 27 September.
- 1.5 CRL announced on 31 August 2018 that the central section would now open in autumn 2019 and not December 2018.
- 1.6 In response to the announcement by CRL of a delay in the opening of the central section of Crossrail, TfL has commissioned, jointly with DfT, an independent review of the Crossrail Financial and Commercial processes and forecasts and a review of Crossrail governance by KPMG. These reviews commenced on 24 September.
- 1.7 The Terms of Reference for these reviews are attached as Appendix 1 and 2 to this paper and the outcome of the reviews will be published once completed.
- 1.8 A paper is included on Part 2 of the agenda containing exempt supplemental information. The information is exempt by virtue of paragraphs 2, 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains information that reveals an individual's identity, prior to a decision being taken on their appointment, information relating to the business affairs of TfL and legally privileged advice. Any discussion of that information must take place after the press and public have been excluded from this meeting.

2 Recommendation

- 2.1 The Board is asked to note this paper and the supplemental paper included on Part 2 of the agenda and to approve the matters set out in the supplemental paper.**

List of appendices to this report:

Appendix 1: Terms of Reference: Crossrail Financial & Commercial Independent Review

Appendix 2: Terms of Reference: Crossrail Governance Independent Review

Supplemental information is included on Part 2 of the agenda.

List of Background Papers:

None

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Terms of Reference: Crossrail Financial & Commercial Independent Review

Summary

Following the announcement by Crossrail Limited (CRL) of a delay in opening of the core section, the Crossrail Sponsor representatives, the Department for Transport and Transport for London (DfT and TfL) and the TfL Executive have asked for a review of CRL's assessment of the ongoing funding requirement, cash forecast and commercial and governance arrangements be undertaken by a qualified independent consultancy.

The review will need to consider whether CRL's assessment of future spend forecasts, funding requirement and cash profile form a reliable basis for decision making by TfL and DfT.

Should the consultant conclude that CRL's forecasts cannot materially be relied upon they should identify areas of concern and seek instructions as to whether Sponsors require the development of alternative views of the likely future spend forecasts, funding requirement and cash profile.

Scope

The scope comprises a review of CRL's financial modelling and forecasts for all stages of the opening to determine the extent to which they reflect the true financial position of CRL, along with a review of commercial/contract management and governance, including but not limited to:

Financial Scope and Project Forecast Outturn

- Determining whether appropriate and effective financial controls are in place and processes used to produce the forecasts are consistent with good practice and have been subject to appropriate quality checks.
- Reviewing the material inputs to those models, to determine if they are well founded on an appropriate assessment of the estimate cost at completion for each remaining contract or activity.
- Assessing whether the allowances made in the financial models for risk and uncertainty are reasonable and consistent with the schedule scenarios presented by CRL and the independent ("Rannachan") review.
- Determining if assumptions and exclusions are appropriate and have been priced as risk, or quantified but excluded from the analysis, or have not been quantified.
- Reviewing the assumptions adopted in relation to critical dependencies outside of CRL's control such as the timing of availability of trains for dynamic testing and considering how the risk of a range of related outcomes has been assessed and addressed in CRL's forecast outturn cost and schedule.

- Reviewing any material subjective assessments or adjustments that form part of the inputs or modelling and conclude if they are appropriate.
- If required, the preparation of alternative forecasts, which reflect the findings and conclusions of the consultant should they differ from CRL's views.

Commercial & Governance Scope

- Assess whether appropriate and effective commercial controls are in place.
- Assess whether appropriate and effective commercial and contract management processes are in place.
- Review commercial reporting/tracking and oversight arrangements in place and whether effective reporting to the Crossrail Board and Sponsors has taken place over the last 12 months.
- Consider the role and performance of the committees of the CRL Board, including its Audit Committee (recently subsumed into the CRL Board).
- Make recommendations on any changes to the control or governance environment from the reviews above.

Terms of Reference: Crossrail Governance Independent Review

Summary

Following the announcement by Crossrail Limited (CRL) of a delay in opening of the core section, DfT and TfL as joint Sponsors of Crossrail and TfL as the owner of CRL have asked for a review of CRL's governance and the oversight of the company's activities.

The consultant is separately appointed to review CRL's assessment of the ongoing funding requirement and cash forecast, which includes a review of some aspects of CRL's governance. This review complements that other appointment and recognises there may be some aspects common to both reviews.

Scope

The scope comprises a review of the governance arrangements for the oversight by DfT and TfL as Joint Sponsors of the Crossrail Project including but not limited to the matters listed below. The review should focus on current effectiveness and scope for improvement for the remainder of the project while also considering the historical context that has led to the need for this review.

Those matters are:

- considering the governance of all elements of the Crossrail programme including the integration of the rolling stock and operational readiness;
- considering the performance of the CRL Board, in particular its approach to performance monitoring and reporting to TfL as parent company and Sponsors and to what extent this could be strengthened with reference to other organisations with major delivery responsibilities;
- considering the role, composition and governance of the CRL Board and steps that could be taken to provide greater oversight to Sponsors for the remainder of the Project;
- consideration of the role and effectiveness of Sponsor representation on the CRL Board;
- consideration of the composition of the Sponsor Board and the mechanisms for reporting to it and reporting by it;
- considering the oversight by the project's Sponsors and to what extent this could be strengthened for the remainder of the project with reference to other large and complex public sector projects;
- considering the current role and effectiveness of the Project Representative team to provide independent assurance and oversight of Crossrail Limited on behalf of Crossrail's Joint Sponsors;

- assessing whether appropriate and effective governance controls are in place;
- assessing whether appropriate risk management processes and reporting are in place;
- assessing whether appropriate and effective commercial controls and contract management processes are in place;
- reviewing whether commercial reporting/tracking and oversight arrangements should be strengthened to ensure that effective reporting to the Crossrail Board and Sponsors takes place for the remainder of the Project;
- considering the role and performance of the committees of the CRL board, including its Audit Committee (recently subsumed into the CRL board);
- considering going forwards options for who is most appropriate to make decisions on the remuneration of CRL Board members and senior executives and whether Sponsors should be more closely involved;
- making recommendations on any changes to the control or governance environment from the reviews above.